

COVID-19 Weekly Insights Update

w/e 8th May 2020
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Key take outs

- 1) Some European markets started this week to ease the lockdown. The UK government unveiled a conditional plan to reopen society gradually
- 2) Economic outlook for the rest of 2020 is poor by all forecasts. The Bank of England expects the economy to shrink 14%. Shoppers confidence index is -11 in April, which drives them to more planning, own label and trusted brands – leaving less room for impulsive purchases
- 3) The weekly shop is back. Shoppers are buying bigger baskets sizes (spend and pack volumes) but doing less trips across less channels, favouring convenience and online, the two channels that best support social distancing
- 4) Multis, convenience and online continue to adapt to the lockdown situation and shoppers needs by boosting capacity, increasing deliveries, making donations and improving ordering platforms whilst foodservice operators are focusing on reopening sites for delivery and collection
- 5) Three weeks after Easter the new "norm" for weekly grocery sales appears to be ~ £2.3/£2.4bn, ~£250m higher than the comparable weeks last year. Non-food is in decline but growth is mainly driven by the switch from out-of-home occasions

UK and some European countries slowly easing lockdowns

The infection in the UK



The government missed its target of 100,000 tests a day for the eighth day in a row, with 92,837 tests on Saturday

The UK has now the worst coronavirus death toll in Europe

Worldwide >4.1M confirmed cases / >283,000 deaths

- From this week lockdowns are slowly easing in some European nations
- Across most of **France**, people will be able to walk outside for the first time in weeks without filling in a permit
- **Spaniards** outside of Madrid and Barcelona will be able to meet in bars and restaurants with outside spaces

Source: Gov.uk & Worldometer as per 10/5/2020; BBC news; The Guardian 6/5/2020 * not just in hospitals

PM Boris Johnson unveiled a "conditional plan" to reopen society

- First step will allow people to **unlimited amounts of outdoor exercise**, sit or sunbathe in parks and play sports with household members from Wednesday.
- Changes in guidelines also allow two **people from different households to meet in a park if they stay two metres apart**.
- By the second step (at the earliest by 1 June) there could be a **phased reopening of shops** and some primary pupils could return to school.
- The third step could see some hospitality businesses and other public places reopen (if the numbers support it); not earlier than 1 July.
- All conditional on some 'big ifs'. He will put on the brakes if there are further outbreaks of the virus.



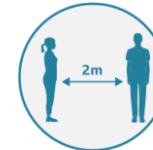
Stay home whenever possible



Work from home if you can



Avoid public transport if possible



But always keep your distance in public



Take unlimited exercise outside*



Enjoy parks and public spaces without exercising*

Source: BBC News, 11/5/2020

STAY ALERT **CONTROL THE VIRUS** **SAVE LIVES**

New guidance from Wed 13th



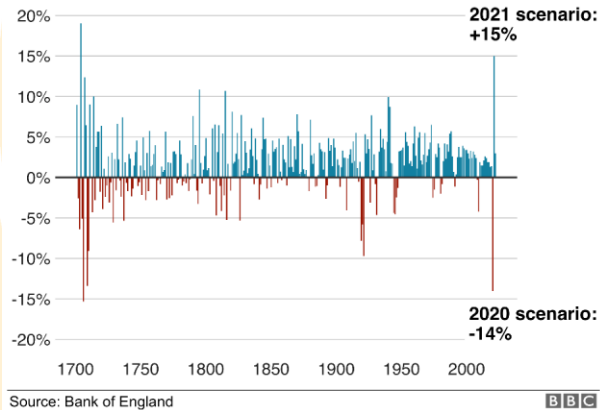
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Poor economic outlook for 2020

Bank of England warns of sharpest recession on record

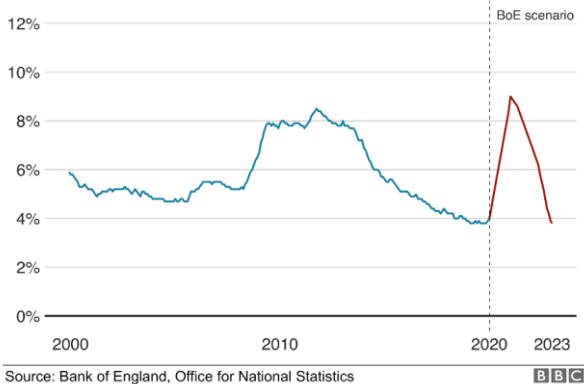
UK facing sharpest downturn since 1706

Historical UK GDP



Unemployment on course to rise above 9%

Percentage of economically active people aged over 16 who are unemployed

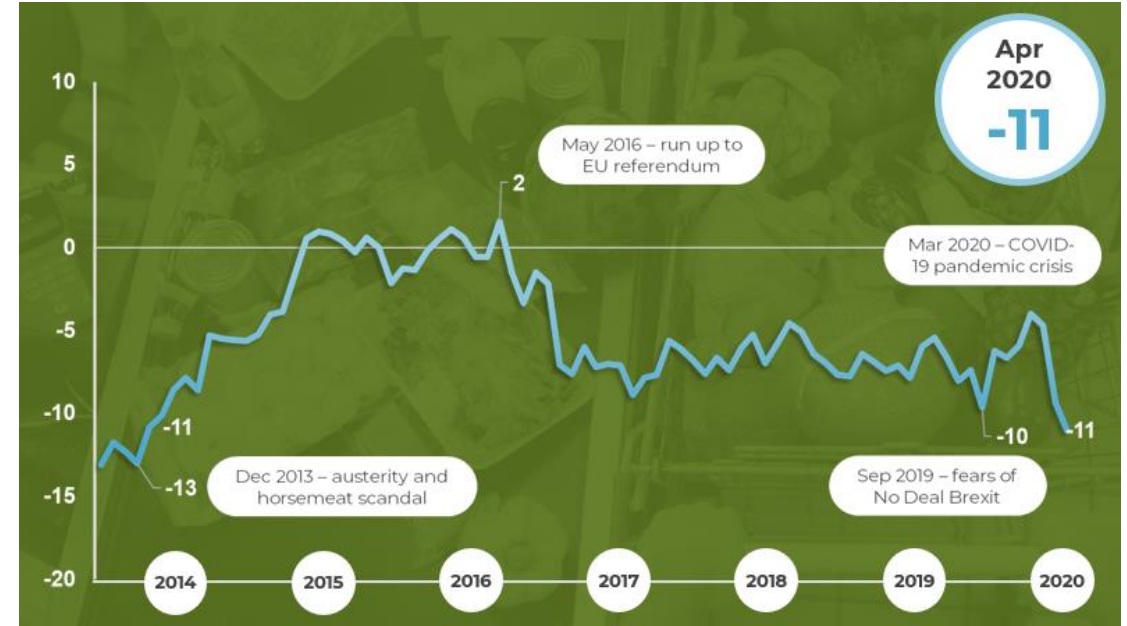


Source: BBC News, 7/5/2020

Key points from BoE Monetary Policy Report published on 7/5:

- Economy expected to shrink 14% this year, based on lockdown being relaxed in June
- Housing market at a standstill
- Unemployment rate expected to climb above 9% this year (from current 4%)
- Consumer spending dropped by 30% in recent weeks
- Spending on flights, hotels, restaurants and entertainment dropped to a fifth of their previous levels.
- Shopping at High Street retailers dropped by 80%
- Business confidence severely depressed

Shopper Confidence Index – 7 year overview



- Confidence has declined the most among 35-54s and those with the lowest affluence (DEs)
- Older shoppers aged 45-64 remain the least confident
- Shopper confidence has declined significantly in London
- Expected financial confidence has fallen sharply for the second month running to a score of -25
- 50% now expect to be worse off in the year ahead (up from 39% in March and 25% in January)

Source: Shopper confidence index, IGD 5/5/2020

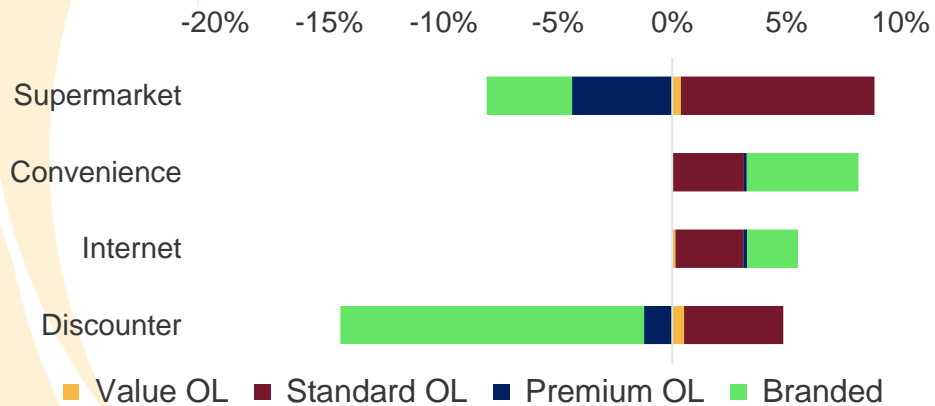


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Shoppers are planning more and preferring leading brands and and OL

Shift to Own Label products

Contribution to Volume Growth by Tier %



Source: Kantar, FMCG Panel, 4we
19/4/2020

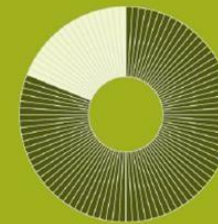
In the next 2-3 months, I am likely to swap some of the premium food & grocery brands I buy for more standard or value brands ...



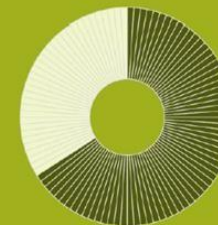
Source: Covid-19 Shopper Learnings, Green Shoots, April 2020

More meal planning and shopping lists

In the last 3-4 weeks I have been more likely to plan what I want to buy before I go to the supermarket ...



In the last 3-4 weeks I have been more likely to take a shopping list with me when I go to the supermarket ...



More consumers are meal planning and know exactly what they want to buy before going grocery shopping. This leaves less room for impulsive purchases, particularly with in-store restrictions

Preference for trusted brands

68%

#1 brands held a higher value share of their category in Ap this year vs 52 w/e 23/2

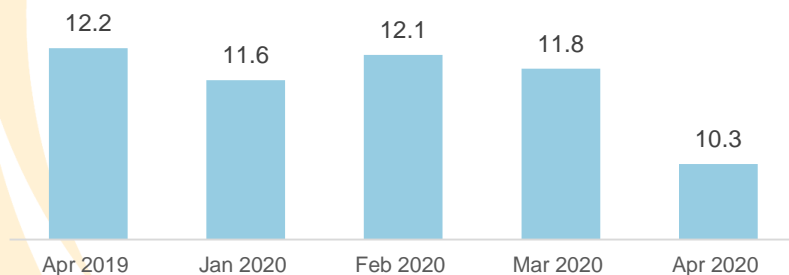


Source: Kantar, FMCG Panel, 4we 19/4/2020

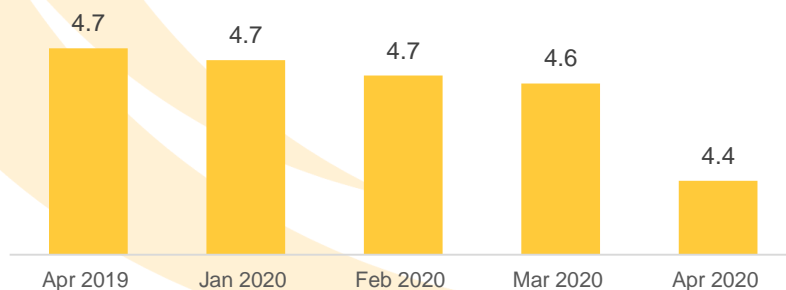
Weekly shop is back and could continue post lockdown if shoppers find this an easier, more convenient and cost effective way to shop

The number of stores and channels used decreased in April as shoppers adhered to lockdown measures and only shopped for essential food items

Average number of stores visited each month



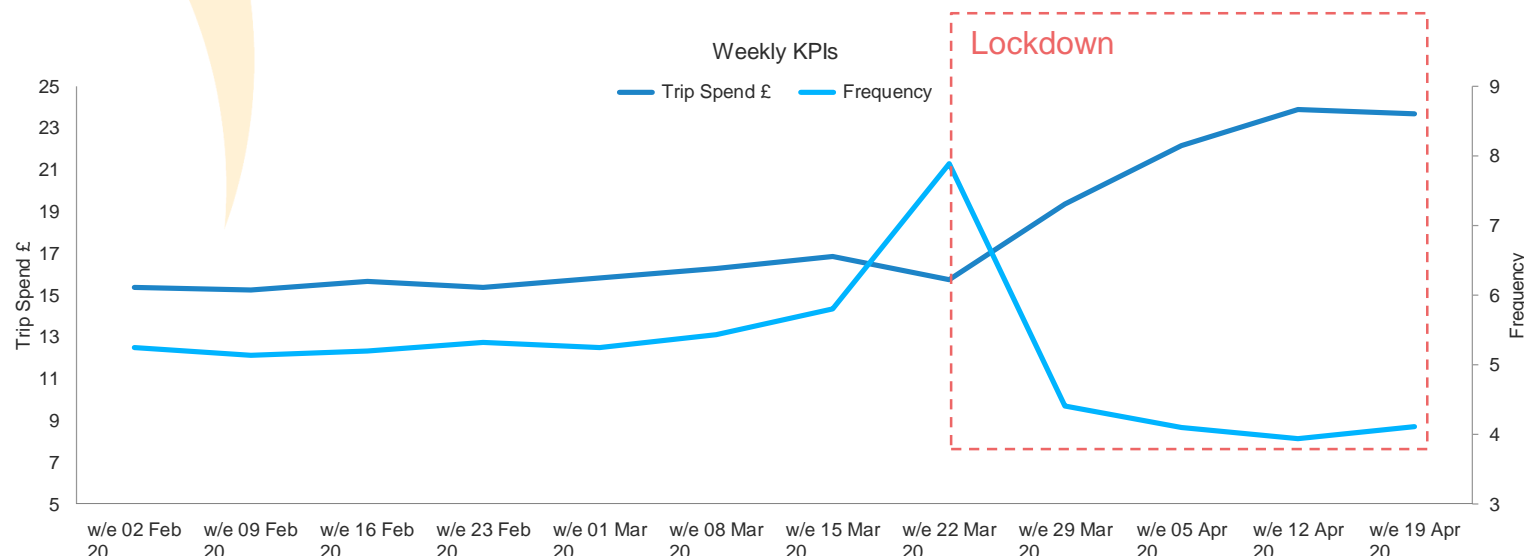
Average number of channels used each month



Source: Coronavirus - Changes in shopping channels and missions, IGD May 2020

Since lockdown fewer trips, far bigger baskets

Source: Kantar, FMCG Panel, 4we 19/4/2020

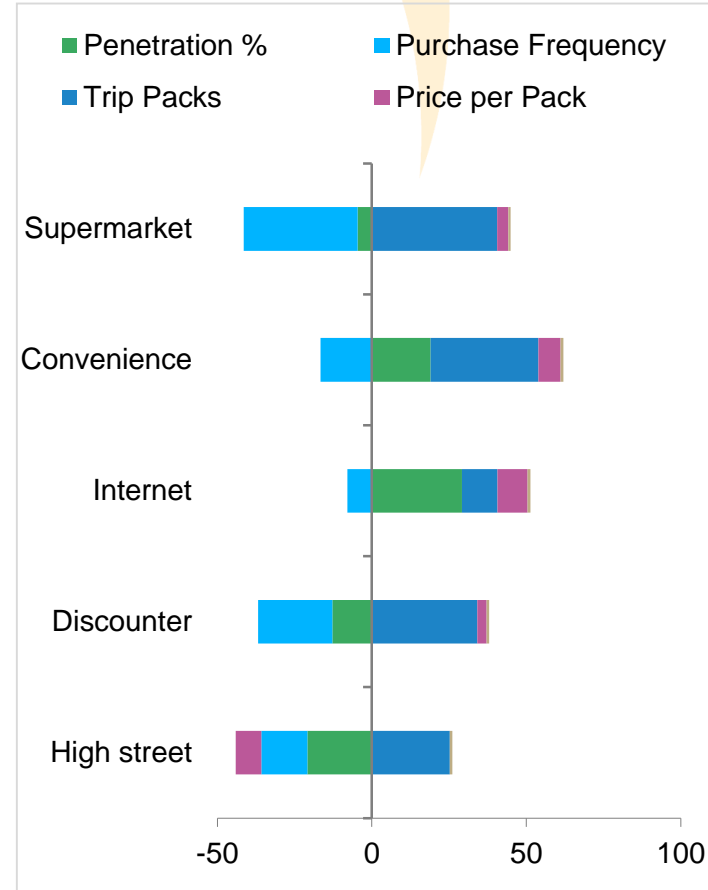
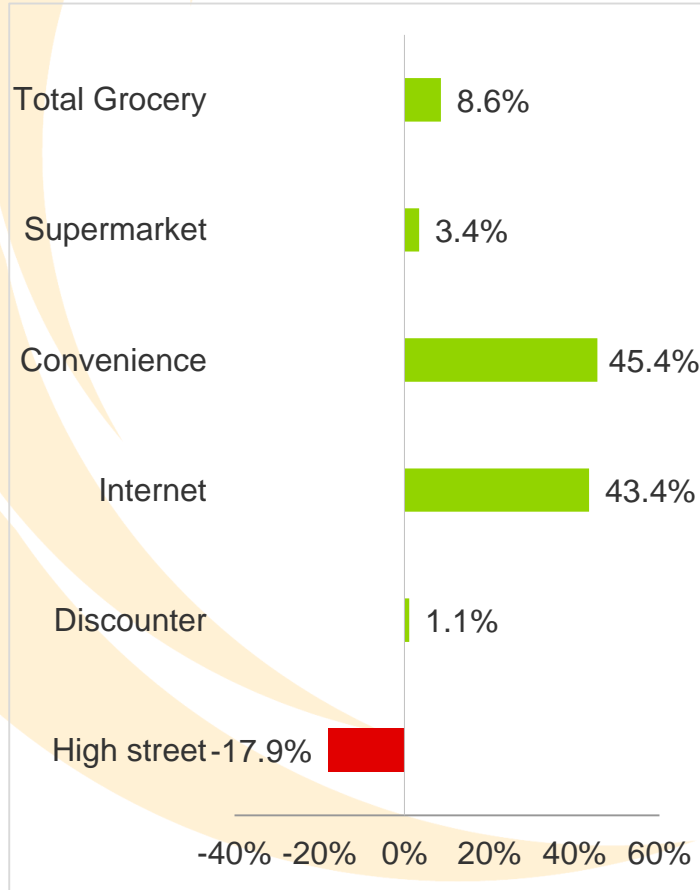


Source: Covid-19 Shopper Learnings, Green Shoots, Apr 2020

Shoppers continue to favour Convenience and Online

Both inherently help maintain social distancing. More packs per trips driving growth across all channels

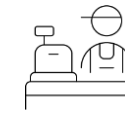
Retailer Grocery Sales Growth & KPI drivers (%), 4we YoY £%



Convenience

12% share (+3pp)

56% penetration (+9pp)



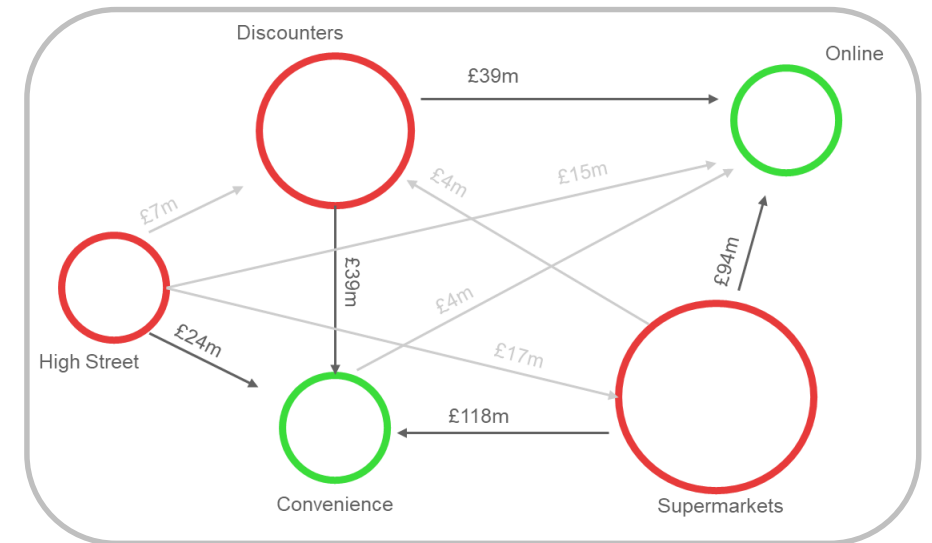
Online

10% share (+2pp)

19% penetration (+4pp)



Changing shopper needs meant more demand for Convenience and Online this month, with £177M and £152M in switching gains respectively



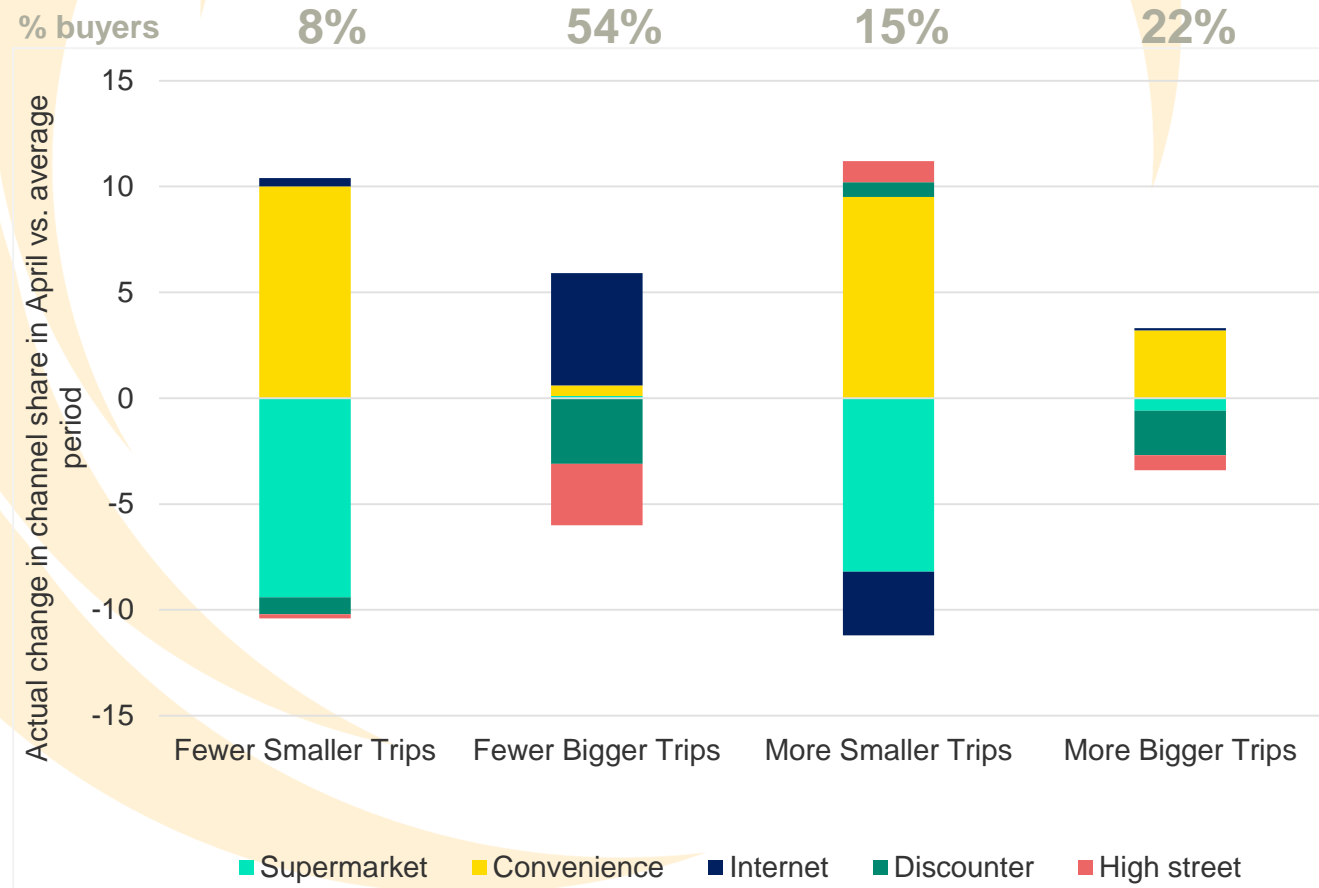
Source: Kantar, FMCG Panel, 4we 19/4/2020

Those making fewer, bigger trips are moving from Discounters to Online

Trips <£20 in YoY decline as shoppers made an extra 15m trips at £40 or more in April

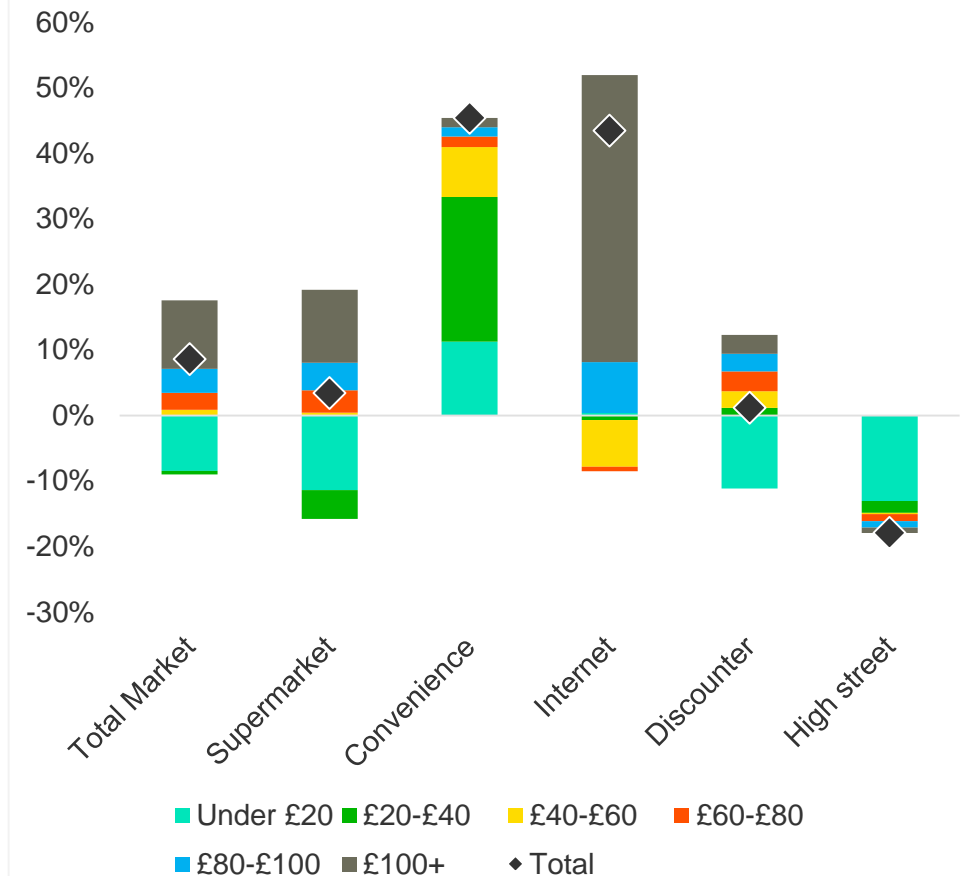
Those choosing to make smaller trips are gravitating towards the convenience channel

Total FMCG – Buyers segmented by their change in behaviour in 4 w/e 19/4 vs. previous average*



1/2 Convenience growth through £20-40 trips.
Shoppers buying 3 more markets on average in the channel

Contribution to Retailer Growth by Basket Size



*Each shopper is compared to their average behaviour in the 52 w/e 23/2/2020 (exc. Xmas)

Source: Kantar, FMCG Panel, 4we 19/4/2020

Retailer News w/e 8th May

Multiples:

UK supermarkets planning to begin selling face masks, holding back now for fear of being seen to be diverting masks away from the NHS

Asda now offering priority delivery to 3,500 care homes and donating 250k medical grade face masks to help protect care workers and residents



To meet the soaring demand from shoppers wanting to bake their own bread, **Morrisons** has begun re-packing and selling the flour used by its in-store bakeries direct to consumers,



Convenience:

The Association of Convenience Stores reported that **local stores are now making 600,000 home deliveries a-week**: it estimates 65% of convenience stores are now offering this service, up from just 10% in 2019.



3rd party convenience ordering app, Snappy Shopper reported that the number of stores selling through its platform has risen by a factor of five: the number of shoppers using the app is up by 360%, and the value of sales has leapt by 534% since lockdown



AF Blakemore launched a dedicated ordering website (www.afbspar.co.uk) to rapidly scale-up home delivery from its network of SPAR convenience stores



Online:

Asda launched the largest food box so far to further support those in need. With 31 items, the boxes are available to order on foodboxes.asda.com at £30



Asda also introduced a fleet of electric vehicles to boost its online capacity. It purchased nearly 50 vehicles, which will be used to ferry orders from stores to click & collect points

Waitrose opened a new CFC in London to help double online grocery orders in the capital. At full capacity, the site will add 13,000 weekly delivery slots for London customers.



Iceland restored delivery services to near pre-coronavirus levels, with next-day slots widely available.

M&S is offering home deliveries from a further 20 stores in as little as 30 minutes via Deliveroo



Ocado has said that despite capacity constraints its 2nd quarter retail sales were up by 40.4% so far, quadrupling the 10.3% growth from Jan – March 2020.

Foodservice News



Last week expanded its existing delivery offering from 20 to 100 sites and opened drive-thru lanes in 55 of them.

COQFIGHTER

The London-based fried chicken brand is aiming at opening a dark kitchen site every week until the end of June. Wanting to expand the delivery reach across London it is using commercial kitchen spaces left empty by the coronavirus shut down.

Food 4 Heroes

Food4Heroes pools together local catering companies and restaurants to deliver high quality meals free to hospitals. They have raised £259,000 and delivered 28,421 meals last week.

BOMBAY CAFÉ
DISHOOM
दिशूम

After deciding not to offer a lockdown delivery option, it is now looking to relaunch the service despite their view that 'we don't like doing it'

LEON.
NATURALLY FAST FOOD

Leon expanded its online delivery service, Feed Britain, with a larger menu and delivery capacity. Initially launched within the M25, the service now expanded to Brighton and Oxford.

Some of the latest brands to reopen sites for delivery and collection





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Our food, beverage and nutrition experts and the entire Nestlé Professional team are available to help and support you during this extraordinarily difficult time.

Please get in touch by phone: UK: 0800 745 845, ROI: 00800 6378 5385
(9am - 5pm Mon-Fri) or email us at: learn.more@uk.nestle.com



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